



Compensation packages: a strategic tool for employees' performance and retention

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Abstract

The rate at which employees in private universities in Nigeria jump from one university to the other is becoming more disturbing and this could be as a result of compensation packages of different universities to attract competent employees. The aim of this study was to examine the effect of compensation packages on employees' job performance and retention in a selected private University in Ogun State, South-West Nigeria. A model was developed and tested using one hundred and eleven valid questionnaires which were completed by academics and non-academic staff of the university. The collected data were carefully analyzed using simple percentage supported by structural equation modelling to test the hypotheses and relationships that may exist among the variables under consideration. The results showed strong relationship between compensation packages and employees' performance and retention. The summary of the findings indicates that there is strong correlation between the tested dependent and independent variables (salary, bonus, incentives, allowances, and fringe benefits). However, management and decision makers should endeavour to review compensation packages at various levels in order to earn employees' satisfaction and prevention of high labour turnover among the members of staff.

Keywords

Compensation; Performance; Retention; Incentives; Salary; Employee; Bonus

Introduction

Employees are the organization's key resource and the success or failure of organizations center on the ability of the employers to attract, retain, and reward appropriately talented and competent employees. Employees' willingness to stay on the job largely depends on compensation packages of the organization [1]. In an attempt to ensure employees optimal performance and retention, organizations need to consider a variety of appropriate ways to reward the employees to get the desired results [2]. It has been argued that the degree to which employees are satisfied with their job and their readiness to remain in an organization is a function of compensation packages and reward system of the Organisation [3].

In both developed and most developing countries, there have been several job satisfaction studies of which very few of them have been focused on the job satisfaction and retention of the university teachers in relation to their compensation packages. Organizations that have goals to achieve would require satisfied and happy staff in her workforce [4]. Importantly is the fact that for any university to take off and achieve its strategic goals would strongly depend on her capacity to attract, retain and maintain competent and satisfied staff into its employment. The university being an institution of higher learning that provides manpower needs to advance national development through both the public and private sector must itself be capable of ensuring adequate manpower planning and development she could therefore not afford to neglect need and essentials of workforce satisfaction especially their compensation packages [5]. The Nigerian universities could be classified according to their years of establishment thus: first, second, third and fourth generation universities. The first generation universities are the universities established in the country before the 1970's. The second-generation universities are those universities established in the 1970's. The third generation universities are those universities established either by the federal or state governments in the 1980's and 1990's, while the fourth generation universities are those universities established in the late 1990's and 2000's mainly by private individuals or organizations [6]. Universities whether private or public are training grounds for students

doing the comprehensive courses in order to translate theory into practice. They conduct training in all kinds of programmes or disciplines. Both government and private sectors fund public and private universities respectively.

Against this background, University lecturers are currently facing many challenges in form of inadequate infrastructure, lack of enabling research environment, disparity in salary and allowances; inconsistent policy implementation between Federal and State governments may well affect their levels of job satisfaction [7]. In addition to the above, the researcher also observed that unhappiness results from academics' job structure and compensation ranging from lack of feedback regarding personnel evaluation reports, management emphasis on particular administrative style, workload, and lack of support from superior in terms of mentoring to salary package which further increased job dissatisfaction among employees.

The above raises concern regarding the attitudes of educators towards their work and their levels of job satisfaction or dissatisfaction [8].

Compensation packages entail some basic features that tend to make employees satisfy on their job amongst which includes salaries, bonuses, incentives, allowances, promotion, recognition [9, 10]. All these have significant impact on employees' performance [11]. However, to avoid wrong perception and controversy by the employees, compensation system must be clearly communicated to employees with job measurement which will drive the much needed performance in the employees [12]. The above raises concern regarding the attitudes of educators towards their work and their levels of job satisfaction or dissatisfaction [8].

Employees' satisfaction and retention as independent variables can be influenced by other variables such as allowances, salary, incentives, fringe benefits, bonus etc. [12, 13]. This study is to test the impact of compensation packages on employees' satisfaction and retention in Private Universities in Nigeria.

The survey became necessary because of the disturbing high rate of employees turnover in the private universities in Nigeria. The study helps identify the challenges and subsequently proffer suggestions that will help the university retain the best and competent employees through adequate compensation and reward system. The significance of this work stemmed from its objectives is as follows:

- i. Examine the effect of incentives packages on the employees' satisfaction and retention
- ii. Evaluate the impact of Salary and bonus on employees' retention

- iii. Analyze the effect of Fringe benefits and performance allowances on employees' satisfaction and retention.

Statement of the problem

The rate at which employees' turnover is increasing in Nigeria Private Universities has become a thing of concern and it is obvious that the steps taken by the managements and stakeholders have not solved this problem. The evolving competition in the higher education environment in Nigeria evident from the increasing number of new universities has called for good formulation, administration and implementation of good compensation policies that would allow these universities to retain their best hands. Though, university is universal, meaning lecturers are also mobile managers who must move to create employment for younger ones, yet, efforts should be made to encourage senior ones to reproduce themselves for national development [5]. Reports by the NUC (2008) revealed that while universities are increasing, the number of qualified teachers is not increasing proportionately.

Thus, there had been constant mobility of these highly skilled persons from one university to another. Movement from federal and state universities to private universities is one and from federal to state and state to either federal or private are some of other forms. However the critical is the fact that it had been established some of these lecturers hardly stay for long in such university before moving again [14]. This mobility has been tagged as "brain drain".

Therefore, one of the reasons that informed this study has to do with the unique importance of organizational climate in relation to the job satisfaction among academics in the Universities which affect the realization of these institutions' vision. In so far as competent academics are necessary for academic performances, there is the need therefore to find out and examine the relationship between organizational climate and job satisfaction among academics. This is necessary to identify how best to retain faculty in the University employment and prevent constant mobility known as brain drain.

Moreover, job satisfaction is relevant to the physical and mental wellbeing of employees, i.e. job satisfaction has relevance for human health [15]. An understanding of the factors involved in job satisfaction is relevant to improve the wellbeing of a significant number of people. While the pursuit of the improvement of satisfaction is of humanitarian value [16] stated that "trite" as it may seem satisfaction is a legitimate goal in itself".

Therefore, apart from its humanitarian utility, it appears to make economic sense to consider whether and how job satisfaction can be improved. Hence, the needs to identify compensation packages that can help improve the job satisfaction of academic staff working in the selected private Universities in South-west Nigeria.

It is imperative to note here that, compensation packages include salaries, bonus, incentives, fringe benefits, performance allowances, etc. All these directly or indirectly affect employees' satisfaction and intention to stay in an organization yet they are not being addressed.

Private university in Nigeria

Private universities in Nigeria have increased in number over the years to meet the needs of the young people seeking for university education. The establishment of private universities was supported by Decree No.16 of 1985 as amended by Decree No 9 of 1993. [17]. Meanwhile, 50 private universities have been licensed to operate in Nigeria by the Nigeria University Commission. Of this number, 27 were founded and are operated by faith-based Organizations, 19 are owned by private individuals, and 5 others by partnerships and 1 corporate ownership [17]. For the purpose of this research, Covenant University which was ranked the best private university in Nigeria in 2013 by Centre for Democratic Governance in Africa (CDGA) will be used as case study.

Literature review

Compensation

Compensation is the human resource management function that deals with every type of reward individuals receive in exchange for performing organizational tasks, with a desired outcome of an employee who is attracted to the work, satisfied, and motivated to do a good job for the employer [18]. A double input-output exchange between an employee and an employer [19].

According to the American Compensation Association's (1995) definition, "compensation is the cash and non-cash remuneration provided by an employer for services rendered" (ACA). It could be financial rewards which refer to any monetary rewards that go above and beyond basic pay. These rewards are separate and not added into basic salary. Examples of these include financial incentives, bonuses, and recognition. Compensation can be described as direct and indirect compensation received by employees in an organization

that serves to achieve employee satisfaction and retention as well as improve performance [20]. Direct compensation includes wages, salaries, bonuses or commission. Indirect compensation includes incentives, medical benefits, housing allowance, annual leave allowances and training opportunities. Compensation is the reward employees receive in exchange for performing organizational tasks. Compensation is direct and indirect wages. Direct compensation includes wages, salaries, bonuses or commission based on performances, overtime work, holiday premium, while indirect compensation is paid as medical benefits, housing allowance, meal allowance, utility allowances, incentive bonus, shift allowances, hospitalization expenses, out of station allowance, vehicle loan benefits, annual leave allowances, car basic allowances, etc.

Designing compensation program is significant in personnel management because of its direct influence on employees' satisfaction and performance in the company. Compensation impacts everyone in the organization to an extent and can prove to be a very valuable and powerful tool - either intentionally or unintentionally [21].

This compensation tool has the ability to achieve employee satisfaction and employee retention, as it comprises of financial and non-financial rewards that attract, motivate and satisfy valuable human capital, retaining effective performers as the compensation system recognizes desired behaviour towards aiding competitive advantage of the organization.

Salary is the fixed or guaranteed regular monthly or annual gross payment made to employees; it varies between hierarchy of job positions, employees to employees and companies to companies [20]. Wage on the other hand is a regular, usually weekly or daily payment made for work or services usually to manual workers.

A person's paycheck is a way to communicate the value and importance of teamwork [22, 23] as the Instrumentality theory explains that remuneration is a source of power, and a means of employee acquiring necessities and luxuries, and ensures the employees willingness and commitment to excel on the job, thereby ensuring employees' retention. It is important to note that compensation is not all about money. It is a symbol of what an organization believes is valuable. It specifically communicates the extent to which an organization values its employees.

Incentives are awards given for the accomplishment of pre-determined goals and are directly related to performance and has a positive influence on the employees' objectives and organizational success. Incentives are used to motivate employees towards a greater

performance, and it rewards the differences in performances, which is validated by the expectancy theory, that employee will perform in certain manner in expectancy of a given outcome. According to [24], $\text{Effort} = F$ (expectation that a particular act would lead to attainment of desired outcome) * (valence of the outcome). Therefore, efforts plus performance and rewards equals employee satisfaction and retention, but where expectancy does not match performance, dissatisfaction occurs. Incentives are rewards offered in addition to the base wage or salary and are usually directly related to performance. They are given to encourage reimburse some particular employee for effort beyond normal performance expectations. They stimulate employees' contributions above and beyond the normal standard of expectation.

Not only are those, bonuses typically after-the-fact discretionary awards given for accomplishments, behaviours, and/or other related events [25].

Fringe benefits, which are supplementary in nature, not worked for, and are usually given to all employees of an organization, irrespective of their different performances such as annual leave allowances, salary advance and educational assistance [20].

The compensation package must be attractive enough to prevent employees from becoming dissatisfied and looking elsewhere for better salary, career development opportunities, fringe benefits, bonuses and incentives.

Among the underlying foundations of compensation theory is that compensation influences behaviour. The basic premise originated from the work of Behaviour Psychologists such a B.F. Skinner, who believed in operant conditioning [26, 27]. In summary, if you reward an organism for certain behaviour, that organism will be more likely to repeat that behaviour. Translated into organizational terms, if you reward an employee for exhibiting behaviours of producing results, that employee will be more likely to repeat those same actions. It is important to note that there is small fraction of individuals that do not buy into these principles [26]. The faction argues that human behaviour is much too complex to be controlled and manipulated through reward programs. Their argument emphasizes the real need to fully understand the role of compensation as a tool for achieving employee satisfaction and retention. It is extremely critical for an organization to comprehend the impact of its compensation system [28]. Compensation can substantially promote an organization's success and satisfy employee career objectives. It has been emphasized that compensation must also be designed properly as if not careful during design and

implementation, compensation systems can unintentionally fail to motivate the desired behaviour (e.g. ineffective compensation plan) or worse, motivate undesired behaviour (e.g. individualistic behaviour in a team environment) [21].

According to [29], results of compensation should include improved employee satisfaction, low employee turnover and better organizational performance.

Employee retention and employee satisfaction

Employee satisfaction is a complex and multifaceted concept, which can mean different things to different people. It is more of an attitude, in internal state. It could be associated with a personal feeling of achievement, either quantitative or qualitative [30]. He examines employee satisfaction (1) in terms of the fit between what the organization requires and what the employee is seeking and (2) in terms of the fit between what employees is seeking and what he/she is actually receiving. He emphasized that the level of employee satisfaction is affected by a wide range of variables relating to (1) individual (i.e. personality, education, intelligence and abilities, age, marital status and orientation to work); (2) social factors (i.e. relationship with co-workers, group working and norms and opportunity for interaction); (3) cultural factors (i.e. attitudes, beliefs and values); (4) organizational factors (i.e. nature and size, formal structure, personnel policies and procedures, employee relations, nature of the work, supervision and styles of leadership, management systems and working conditions); and (5) environmental factors (i.e. economic, social, technical and governmental influences).

Employee satisfaction is defined as the result of a psychological comparison process of the extent to which various aspects of their pay (e.g. salaries, benefits and incentives) measure up to what they desire [29]. Thus, the larger the gap between what employees have and what they want from their jobs, the less satisfied they are; (employees tend to be most satisfied with their jobs when what they are expecting matches with what they actually collect.

An employee' overall satisfaction is the cumulative result of comparisons that she makes between what her job provides and what she desires in various areas. The fact that perceived importance makes such a big difference in how employees feel also has implications for management [31], listed factors that contribute to employee satisfaction as; adequate salary, good working conditions, parental management, job security, recognition,

opportunity for growth, positive and supportive environment cum supportive organizational culture, training opportunities and adequate health care, friendly nature of co-workers and colleagues responsibility and cordial relationship between the superior and the subordinates. Therefore, we can conclude that employee satisfaction is a person's evaluation of his or her job and work context.

Compensation plays a number of key roles in organizations including signaling employee worth, attracting potential job incumbents, and retaining existing employees [32]. A major and perhaps the most notable among organizational retention initiatives is compensation [33]. Numerous studies have addressed the impact of employee compensation, rewards and recognition on satisfaction and retention [34, 35, 36, 37]. It has been noted that an effective human resource retention plans include adjustment of salaries paid to existing employees to make them comparable to those paid to their counterparts in the same industry [20]. This they say, make work more satisfying and make them understand the advantages of working for their current company compared with moving elsewhere.

Several research studies found that highly competitive compensation systems promote employee commitment and thus results in the attraction and retention of a superior workforce [34, 35]. The study further noted that employees will remain with an organization as long as it serves their self-interest to do so better than the alternatives available to them elsewhere. An example of the components of a compensation system is illustrated in Table 1.

Table 1. Components of a compensation system

<i>Compensation systems</i>	
Financial	Non-financial
<ul style="list-style-type: none">• Direct Payments(salaries)• Indirect Payments(benefits)<ul style="list-style-type: none">✓ (<i>bonuses</i>)✓ (<i>incentives</i>)✓ (<i>allowances</i>)	<ul style="list-style-type: none">• Employee Involvement in decision-making• Recognition• Training Opportunities• Health Care• Holidays• Supportive Organizational culture

(*Managing Human Resources*)

A recent study by [38] investigated the relationship between the use of human management practices and organizational performance. It found that companies providing incentive plans to employees are more likely to experience lower turnover and improve performance.

A compensation theory which conveniently backs up the strategic usefulness of the compensation tool is the expectancy/instrumentality theory; Expectancy theory argues compensation system influences employee satisfaction [32], research on the relationship between rewards and job satisfaction has found significant positive association, and indicates that employees become motivated by their expected outcome of various forms of rewards for their performance. The theory posits that there are three factors that are important, or conditions that must be met to achieve employee satisfaction and retention [22]. First, the rewards must have positive net value or high valence; that is, the outcomes must be attractive. Second, compensation must be within the expectations of the employee. Finally, the perceived probability that successfully performing the required tasks will lead to the desired outcomes, or instrumentality, must be high; that is, the employee must be assured that once the tasks are performed, they will get the rewards/achieve the promised outcomes.

Employee satisfaction is the satisfaction of employees with their jobs or the degree to which employees like their jobs [39]. Employee satisfaction elements can be considered in relative terms, as proposed in equity theory [40], in which employees evaluate the fairness of exchange and base their satisfaction-related elements on the comparison of the ratio of personal outcomes (pay, recognition, opportunity and advancement) and personal inputs (time, effort, knowledge and skills). Important elements that affect employee satisfaction and retention, which are used in this paper, are: salary [41, 42] Fringe benefits and allowances [43], bonus and incentives [20].

The authors theorize that firm would further reduce its turnover rate if it applies reward systems in the form of incentive plans to employees across the organization. As several other research studies have indicated that compensation in the form of basic salary only may not be sufficient to attract, satisfy or retain employees, such as benefits of working conditions, bonuses [36, 44]. Similarly, the study by [37] revealed that although salary, bonuses and work-life balance are important, it is the absence of opportunity for professional growth and development that affects retention and satisfaction.

Compensation is strategic to the organisation's goals and thus should be able to ensure employee satisfaction, employee retention, employee development and better organizational performance [45]. Thus, an exchange process takes place with compensation. The survey hypotheses are:

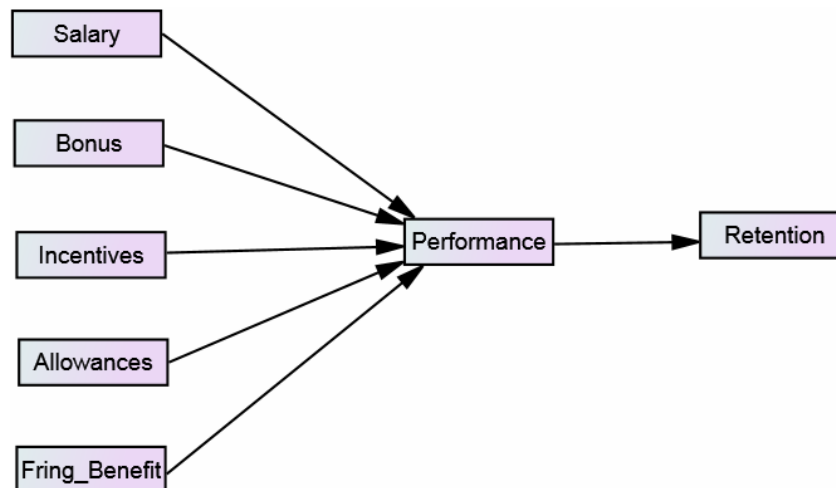


Figure 1. Research model (Source: Survey, 2013)

Research design and methodology

The survey adopted case study research design in which qualitative and quantitative evaluation were utilized leveraging subjective approach in order to collect relevant and substantive data. A Nigerian Private University in Ogun State, Southwest was chosen because Ogun State has the largest concentration of private universities in Nigeria and the university is said to be the best private university in Nigeria in the year 2013. One hundred and fifty six copies of questionnaire were administered among the faculty members of the studied respondents, out of which one hundred and ten copies were retrieved representing a response rate of 70.5% while the remaining copies were either not returned or uncompleted. However, the data utilized for the survey were derived from 70.5% valid copies of questionnaire as at the time of the survey.

Simple random sampling technique was adopted for this study, which is a procedure of giving every subject in a population equal chance of appearing in the selection. Research instrument adopted for data collection was a structured questionnaire focused on the variables of the survey, which were adapted from literature reviewed, salary [41, 42]; Fringe benefits and allowances [43]; bonus and incentives [20]. Each of the items was based on a 5-point Likert scale, which allows respondents state the potency of each of the items listed in the questionnaire. Using IBM Statistical Package for the Social Sciences (SPSS, Serial license number:

MUK2LCLVNQQ8KZQOKQYNCPZPQJ9I4O89USQCNQ3ETL54P32S22B63ELQO8V7D R4GYJBNCE4BMJQU8XFNLG), Structural Equation Modeling (SEM), as a statistical

instrument for testing and estimating relationships (correlations and regression) between variables (observed and unobserved) was adopted for analyzing data collected from the self-administered questionnaire for this survey. Structural Equation Modeling is suitable for both testing of theory and development, which represents different models in assessing the validity of theories with empirical data [46]. The proposed survey hypotheses are:

H₁: Incentives have positive impact on employees' satisfaction and retention.

H₂: Salary has positive impact on employees' retention.

H₃: Bonus has positive impact on employees' retention.

H₄: There is positive impact of allowances on employees' satisfaction and retention.

H₅: Fringe benefits have positive effect on employees' retention and satisfaction.

H₆: Performance has positive impact on employees' satisfaction and retention.

These hypotheses were tested using some commonly used model fit indices such as Normed Fit Index (NFI), Goodness of fit (GFI), Comparative Fit Index (CFI), and Root mean square error of approximation (RMSEA) in structural equation model (SEM) analysis.

Results and analysis

The demographic characteristics of the respondents in this survey are illustrated in table 2, and with these characteristics, it could therefore be concluded that the data obtained for this survey was rich and adequate for the purpose of the research objective.

Model testing

Generally, all the fit indices are either equal or above the rule of thumb; observed NFI value is 0.969, which is an acceptable fit (NFI rule of thumb suggests ≥ 0.90 ; Tabachnick and Fidell, 2007); in similar direction, GFI = 0.967; CFI = 1.000; and RMSEA = 0.000, and by these results, all indices are acceptable fit, CFI rule of thumb suggests $> .90$ is good; $>.95$ is very good; RMSEA rule of thumb suggests $<.05$ is good; $<.08$ is acceptable [47, 48]. As obtained in results of the analysis, the model shows a good fit to the data, and the summary of the observed indices is shown in table 3.

Table 2. Respondents Demographic Characteristics

S/n			Frequency	Percent
1	Gender	Male	76	69.1
		Female	34	30.9
		<i>Total:</i>	<i>110</i>	<i>100.0</i>
2	Age	21 – 29 years	16	14.5
		30 – 39 years	32	29.1
		40 – 49 years	52	47.3
		50 – 59 years	10	9.1
		<i>Total:</i>	<i>110</i>	<i>100.0</i>
3	Marital Status	Single	29	26.4
		Married	75	68.2
		Separated	4	3.6
		Divorced	2	1.8
		<i>Total:</i>	<i>110</i>	<i>100.0</i>
4	Educational Qualification	B.Sc/HND/BA	33	30.0
		M.Sc/MA/MBA	64	58.2
		Other qualifications	13	11.8
		<i>Total:</i>	<i>110</i>	<i>100.0</i>
5	Work Experience	0 – 5 years	21	19.1
		6 – 10 years	42	38.2
		11 – 15 years	19	17.3
		Above 15 years	28	25.5
		<i>Total:</i>	<i>110</i>	<i>100.0</i>

Source: Survey, 2013

Table 3. Summary of model fit

Fit Index	Recommended Values	Observed Values
Normed Fit Index (NFI)	$\geq 0.90^*$	0.969
Goodness of Fit (GFI)	$\geq 0.90^{**}$	0.967
Comparative Fit Index (CFI)	$\geq 0.90^*$	1.000
RMSEA	$\leq 0.08^{**}$	0.000
Chi-square/degrees of freedom	$\leq 3.00^{**}$	0.499

Sources: Adapted from [47 & 48]

The results of the survey model are graphically depicted in figure 2, which displays the path coefficients of the significant relationships that exist among the observed variables. This is carried out in two parts; (i) correlation between five observed variables, and (ii) multiple regression by which these observed predictors (salary, bonus, incentives, allowances, and fringe benefit) predicting one outcome variable (performance), which has a direct prediction on retention.

Generally, looking at the correlation coefficient paths, close association exists among the observed variables. For instance, the path coefficient value between incentives and salary is 0.37, which is positive and significant; in the same vein, the relationship between allowance and incentives is .33; fringe benefit and bonus is .20; salary and allowance is .15. Evidently, the results of the multiple regressions indicate strong relationship between the observed variables, and these are reflected in the tested hypotheses.

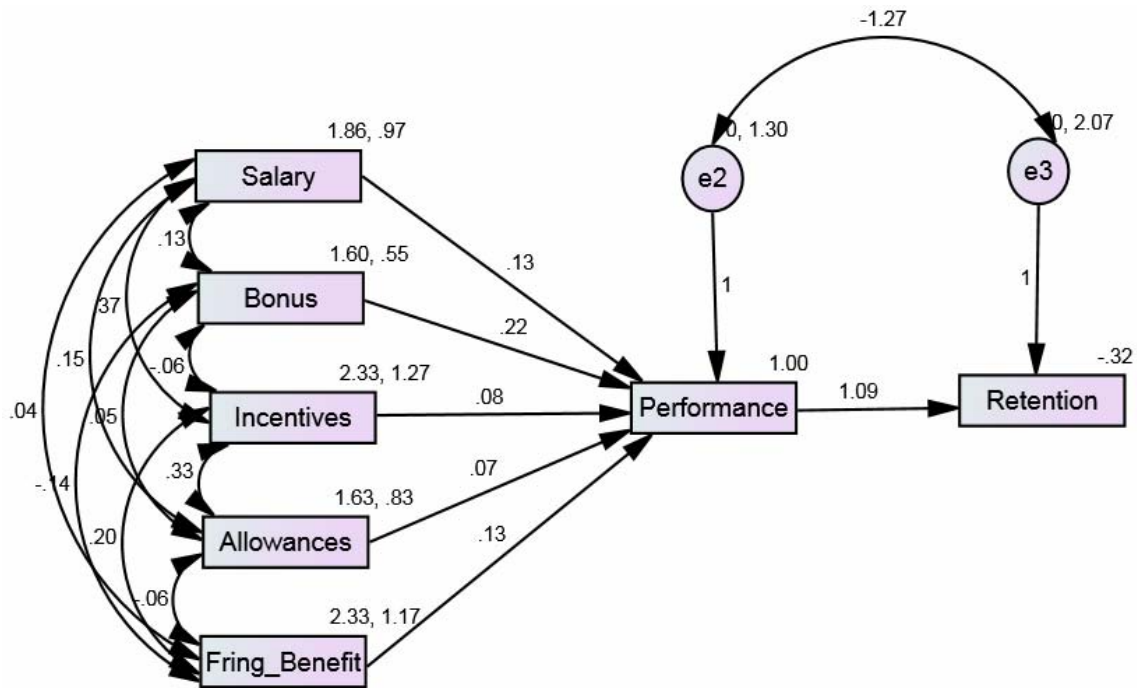


Figure 2. Results of research model

The direct regression coefficient value between salary and performance is 0.13, which is significant. Therefore the first hypothesis that says “salary has positive impact on employee performance” is accepted. The second hypothesis “bonus has positive impact on employee performance” is also accepted based on the regression coefficient value of 0.22, which is positively significant. Similarly, the direct coefficient path from incentives to performance is 0.08, which is evident that the postulated hypothesis three that says “incentives have positive impact on employees’ performance” should be accepted. It is important to state that all the postulated hypotheses are accepted based on the coefficient path values obtained from the analysis. Above all, the coefficient path value from performance to retention is 1.09, which indicates that performance has a strong predictor of employee retention.

Discussion and managerial implications

As obtained in the literature, the underlying theory of compensation sees compensation as a predictor of behaviour [24], in other words, reward or compensation can influence a repeat of behaviour. In opposite direction, several other research studies have indicated that compensation in the form of basic salary only may not be sufficient to attract, satisfy or retain employees, such as benefits of working conditions, bonuses [35, 44], or repeated behavior, the study by [36] revealed that although salary, bonuses and work-life balance are important, it is the absence of opportunity for professional growth and development that affects retention and satisfaction.

Compensation is strategic to the organisation's goals and thus should be able to ensure employee satisfaction, employee retention, employee development and better organizational performance. From the result of the study, the findings showed that there are positive significant relationships among salary, bonus, incentives, allowances and fringe benefits- in other words that, that there are correlations between these variables which invariably predict performance because as [49] put it, there is a link between compensation/benefit packages employee satisfaction levels, and turnover and concluded that organizations that have better compensation systems cum policies in place put a very positive impact on their employees thereby committing them to the organisation and such will be less likely to leave it.

Because of the strong relationship between these components of compensations packages, performances are affected positively which is a strong predictor of employee retention. [50] is of the opinion that the task in compensation management is to develop policies and strategies that will attract, satisfy, retain and motivate employees thereby leading to employee satisfaction and retention. This encourages top performers to work harder and helps build a competitive atmosphere in the organization as it supports the achievement of business objectives.

However, the followings are the managerial implications of the results of the above model;

- Since efforts are directed towards achievement of the goals and the efforts are not in isolation to the ability of the employees, then ability should be enhanced through training, development, capacity building premiums, orientation and reorientation, counselling programmes, etc.

- Organizations will do well if employees motivation is not taken for granted, knowing well that workers come to work with expectations and needs they want to satisfy via their work efforts.
- Managers must make known to employees concerning the reward attached to each performance target so that each employee know what he/she can expect in exchange for his/her efforts at every level of performance.
- Managers must ensure that rewards are matched to employees' needs and preferences. Therefore, managers will do well to motivate employees if they offer what is called cafeteria compensation.

In conclusion, Managers must ensure that rewards distributed to employees are dynamic and constantly re-evaluated to ensure their transparency and fairness to all employees so as to continue to have their dedication, commitment and loyalty, which is the major drive for keeping contented and satisfied employees, thus avoiding turnover but ensuring retention of vibrant employees.

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